MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T2, 2017/ 2018

BGM7124 – GLOBAL MARKETING

(MBA Full Time)

9 FEBRUARY 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consist of **SEVEN (7)** pages including the cover page.

2. Answer **ALL** questions in **Section A** and **choose any 2** questions in **Section B**. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

SECTION A

QUESTION 1

Read Case on Unilever in Appendix 1 and answer the following questions:

a. Assess Cescau's response to the Greenpeace palm-oil protest. Was it appropriate?

(15 marks)

b. Do you think that a streamlined management structure and emphasis on emerging markets will enable new CEO Paul Polman to lead Unilever to improved performance?

(15 marks)

[Total: 30 marks]

QUESTION 2

Read Case on IKEA in Appendix 2 and answer the following questions:

a. Discuss the relevant theory/ies to explain the internationalization process of IKEA.

(10 marks)

b. Managers of IKEA stores have a great deal of discretion when it comes to setting prices. In terms of the ethnocentric/polycentric/regiocentric/geocentric (EPRG) framework, which management orientation is in evidence at IKEA?

(10 marks)

c. Which of the Porter's generic strategies is being adopted by IKEA?

(10 marks)

[Total: 30 marks]

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SECTION B

QUESTION 3

a. Many global retailers are targeting China, India, and other emerging markets. Discuss the factors that will influence the most likely entry strategies for these countries.

(10 marks)

b. Read Appendix 3 - Billions spent on 'Singles Day'. Assess the future of traditional retail format such as the shopping mall.

(10 marks)

[Total: 20marks]

QUESTION 4

Briefly explain the social research of Everett Rogers regarding diffusion of innovations, characteristics of innovations, and adopter categories. How does the adoption process in Asia differ from the traditional Western model?

[Total: 20 marks]

QUESTION 5

How can buyer attitudes about a product's country of origin affect marketing strategy?

[Total: 20 marks]

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Appendix 1: Unilever

After Cescau was elevated to the top job, Unilever's board streamlined the company's management structure. Now there is a single chief executive; previously, there had been one in Rotterdam and one in London. Cescau asserted that, with a single chief executive, the need for consensus was replaced by speed at making decisions. As noted, many of those decisions concerned "doing good." However, some observers were skeptical of Cescau's determination to operationalize a responsible business philosophy. Cescau recalled, "The company was not doing well. There was an article saying that I was draping myself in a flag of corporate social responsibility to excuse poor performance. I was so angry with that."

Cescau's commitment was put to the test in 2008, his final year as CEO. Greenpeace launched an advertising campaign alleging that Unilever's purchases of Indonesian palm oil were contributing to rain forest destruction. Palm oil, a key ingredient in Dove soap, Magnum ice cream bars, and Vaseline lotion, comes from oil palm trees that grow in Indonesia and Malaysia. Unilever is the world's biggest palm oil customer, buying about 1.4 million tons each year. Rising world prices for the commodity prompted Indonesian farmers to cut down large swaths of old-growth rain forest and plant fast-growing oil palms. Specifically, Greenpeace identified the operations of Sinar Mas, an Indonesian company that is a major palm oil supplier, as contributing to deforestation.

The media strategy for the Greenpeace campaign included newspaper ads in London and a video on YouTube. Fliers parodied Unilever's Campaign for Real Beauty; for example, they showed pictures of orangutans juxtaposed with the headline "Gorgeous or gone?" John Sauven, executive director of Greenpeace, explained why his organization had targeted Unilever: "Everyone has heard of those brands. They are the public face of the company".

Cescau responded by calling for a moratorium on rain forest destruction by Indonesian oil producers. The Unilever chief also pledged that his company would buy palm oil only from producers who could prove that the rain forest had not been sacrificed in the production process. The move allied Unilever with the Roundtable on Sustainable Palm Oil (RSPO), an organization that certifies palm oil producers. A Unilever spokesperson also indicated that the proposed change in Unilever's palm oil sourcing strategy had been in the works for months. Nevertheless, Greenpeace and other NGOs claimed victory.

Unilever brought its message to the public with a print ad campaign featuring the headline "What you buy in the supermarket can change the world." The body copy outlined Unilever's pledge that "by 2015 all our palm oil will come from sustainable sources." The ads ended with the tagline "Small actions, big difference." By 2011, however, only about 2 percent of Unilever's palm oil purchases were coming from traceable sources. Even so, as chief procurement officer Marc Engel said, "I'm not aware of anyone else who has made that commitment, particularly on our scale." In an effort to achieve its goals, Unilever began buying GreenPalm certificates, which are sold by growers certified by the RSPO.

"Doing well" is also part of the leadership equation at Unilever. Cescau understood the importance of improving Unilever's

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profitability. To this end, he continued a restructuring drive that was initiated by his predecessor, cochairman Niall FitzGerald. Specific actions included reducing Unilever's bureaucracy by removing several management layers. Cescau also reduced the top management head count from 25 people to 7 and narrowed the vertical distance between management and marketing. In addition, the company shed hundreds of brands and closed dozens of factories in France, Germany, and elsewhere. In Cescau's view, the new, leaner structure would translate into a more rapid response to changing market trends and consumer preferences and ensure quicker rollouts of new products.

Cescau also bet heavily on emerging markets to jump-start sales growth. Rising incomes mean that many people purchase consumer packaged goods for the first time. One scenario: As increasing numbers of people in developing countries buy their first washing machines, they will need to buy laundry detergent. To capitalize on such trends, Cescau shifted budgetary resources out of mature markets such as Europe; those funds were then used to support research in India and other emerging markets. Brand managers were instructed to innovate by taking a "clean slate" approach to developing new products for emerging markets. As Steph Carter, packaging director for deodorant brands, noted, "Traditionally, we would have taken existing products and then tried to fathom how to adapt them for the developing world. Our thinking has changed."

The Polman Era Begins

Paul Polman took over as CEO in January 2009; a former Nestlé executive, he is the first outsider to lead Unilever in its 80-year history. In his first months on the job, Polman initiated a shift in Unilever's core strategy. In the past, the company generated sales growth by increasing prices. Noting that this was the wrong strategy for recessionary times, Polman said the new priority would be to increase sales volumes. The change entailed some risk: Holding the line on prices could put pressure on margins, given the trend of rising costs for the agricultural commodities that are key ingredients in Unilever's products.

Polman was also keenly aware that many budget-conscious shoppers were choosing less expensive, private-label supermarket products instead of well-known name brands. Polman vowed to improve product quality across the board and to boost marketing and advertising spending. To support the increased investment, he accelerated some of the cost-cutting measures that his predecessor had initiated. For example, the timetable for planned factory closures and job cuts was moved up; Polman also froze executive salaries and changed the bonus policy. He established 30-day action plans for managers of brands with flagging sales. He also replaced about one-third of Unilever's top 100 executives, including the chief marketing officer.

When it comes to demonstrating Unilever's commitment to its customers, Polman sends clear signals to his employees. He spends about 50 percent of his time on the road, with regular stops in Asia, Latin America, and, of course, Europe. In a recent interview, he noted that he meets with consumers in every country that he visits. Polman believes strongly that the leader must set an example from the top of the organization.

That passion is evident in a flurry of marketing activities orchestrated by Polman. One is the quick pace of new-product rollouts, especially in emerging markets. For example, Unilever's home care unit was the first to market with liquid laundry detergent in China; it also introduced a dishwashing liquid in Turkey in less than 30 days. In addition, innovation has become a key element for shoring up the value proposition of Unilever's brands, with existing brands such as Surf laundry detergent getting an upgrade in the African market.

Driving growth in the personal-care category is another priority for Polman. By itself, the global deodorant segment represents an estimated $17 billion in annual sales. To tap into that market, the Dove brand has been extended to men's products. Dove for Men has been rolled out in dozens of countries. Meanwhile, Dove's product managers devised a new strategy for persuading women to switch deodorant brands. Dove Ultimate Go Sleeveless resulted from company research designed to discover insights about consumer attitudes toward underarms. What the researchers learned is that 93 percent of women think their armpits are not attractive. Dove Ultimate Go Sleeveless is formulated with moisturizers that, the company claims, will result in nicer-looking underarms after just a few days' use.

The ice cream and beverage unit is also on the move. Unilever's Magnum brand premium ice cream bars are the world's top-selling ice cream novelty. Although Magnum enjoys great popularity in Europe, it was not introduced in the United States until 2011. Häagen-Dazs and Mars were already entrenched in the market; undaunted, the Magnum marketing team is confident its brand will stand out. One manager explained that an important part of the brand's equity is the loud cracking sound heard when someone bites through Magnum's thick chocolate shell. It must be helping: In the first year, Magnum rang up $100 million in sales in the United States.

Renewing the Commitment to Sustainability

Even as he oversees these and other marketing activities, Polman is making sure that former CEO Cescau's commitment to corporate social responsibility is maintained. Summarizing his views on sustainability and environmental impact, Polman said:

> [T]he road to well-being doesn't go via reduced consumption. It has to be done via more responsible consumption....So that's why we're taking such a stand on moving the world to sustainable palm oil. That's why we work with small-hold farmers, to be sure that people who don't have sufficient nutrition right now have a chance to have a better life.

In 2012, Unilever announced plans to build a $100 million palm oil processing plant in Indonesia. Having a company-controlled plant near the source should make the task of tracing oil to sustainable sources easier. It is currently common practice at processing plants to combine oil from different sources—both sustainable and not—in the same vat. That makes it difficult to trace any individual batch of oil to its origins. Marc Engel, the procurement officer, draws an analogy between palm oil processing and crude oil processing used to make gasoline. "When you actually want to know where the gas in your car is coming from—from which oil well—it's very hard to see," he says. To hedge its bets, Unilever has also invested in Solazyme, a California-based company that produces oil from algae. What kind of potential does this technology hold? "We've made all kinds of food products," says Solazyme CEO and cofounder Jonathan Wolfson. "We've used the oil for frying. We've made mayonnaises, ice creams. And they work, taste good and are functional."

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Appendix 2: IKEA

IKEA's unconventional approach to the furniture business has enabled it to rack up impressive growth in a $30 billion industry in which overall sales have been flat. Sourcing furniture from a network of more than 1,600 suppliers in 55 countries helps the company maintain its low-cost, high-quality position. During the 1990s, IKEA expanded into Central and Eastern Europe. Because consumers in those regions have relatively low purchasing power, the stores offer a smaller selection of goods; some furniture was designed specifically for the cramped living styles typical in former Soviet bloc countries.

Throughout Europe, IKEA benefits from the perception that Sweden is the source of high-quality products and efficient service. Currently, Germany and the United Kingdom are IKEA's top two markets. The United Kingdom represents the fastest-growing market in Europe; although Britons initially viewed the company's less-is-more approach as cold and "too Scandinavian," they were eventually won over. IKEA currently has 18 stores in the United Kingdom and plans call for opening more in the next decade. As Allan Young, creative director of London's St. Luke's advertising agency, noted, "IKEA is anti-conventional. It does what it shouldn't do. That's the overall theme for all IKEA ads: liberation from tradition."

In 2005, IKEA opened two stores near Tokyo; more stores are on the way as the company expands in Asia. IKEA's first attempt to develop the Japanese market in the mid-1970s resulted in failure. Why? As Tommy Kullberg, chief executive of IKEA Japan, explains, "In 1974, the Japanese market from a retail point of view was closed. Also, from the Japanese point of view, I do not think they were ready for IKEA, with our way of doing things, with flat packages and asking the consumers to put things together and so on." However, demographic and economic trends are much different today. After years of recession, consumers are seeking alternatives to paying high prices for quality goods. Also, IKEA's core customer segment—post–baby boomers in their 30s—will grow by nearly 10 percent between 2000 and 2010. In Japan, IKEA will offer home delivery and an assembly service option.

"To succeed in Japan, I think we have to tell the whole story of why we can sell our products at affordable prices."

Tommy Kullberg

Industry observers predict that North America will eventually rise to the number one position in terms of IKEA's worldwide sales. The company opened its first U.S. store in Philadelphia in 1985; as of 2009, IKEA operated stores in 37 U.S. states and Canada. Plans call for opening at least several more U.S. stores each year between now and 2015. As Goran Carstedt, president of IKEA North America, explains, "Our customers understand our philosophy, which calls for each of us to do a little in order to save a lot. They value our low prices. And almost all of them say they will come back again." As one industry observer noted, "IKEA is on the way to becoming the Walmart Stores of the home-furnishing industry. If you're in this business, you'd better take a look."

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Sunday Star 12/11/2017.

Billions spent on 'Singles Day'

Consumers snap up bargains in world's biggest online shop fest

SHANGHAI: China's smartphone-wielding masses unleashed billions of dollars in e-commerce spending as they rushed to snap up bargains on "Singles Day", billed as the world's biggest one-day online shopping festival.

Also known as "Double 11" for the Nov 11 date, the event launched in 2009 by e-commerce giant Alibaba kicked off at midnight and ended up shattering the previous year's sales mark, as it does every year.

Alibaba said that by midday yesterday the gross value of sales processed by Alipay, its online payment system, had equalled the US$17.8bil (RM74bil) logged over the full 24 hours last year.

The 2016 amount was itself a 32% increase over the previous year and equal to the annual economic output of Mozambique.

The yearly display of rising Chinese consumer spending power has become a key date for manufacturers and retailers in the country, accounting for a significant share of annual orders for many businesses.

> **At 12.07am, the number of transactions surpassed 100 million.**
>
> Alibaba

Alibaba rivals such as *JD.com* and a range of retailers have joined in, with merchants slashing prices to move goods.

Five minutes after midnight, Alipay was processing 256,000 payment transactions per second, doubling last year's high-water mark, Alibaba said.

"At 12.07am, the number of payment transactions surpassed 100 million, equivalent to the total number of payment transactions processed during 2012," it said.

More than 90% of orders were placed via mobile, the majority on Alibaba's main e-commerce platform *Taobao.com*.

More than half of China's 1.3 billion people use smartphones, which have become central to daily life, used for messaging, shopping, news and entertainment, ordering taxis and meals, and serving as digital wallets for a range of point-of-sale purchases.

The day's transaction volumes are pumped up by many Chinese delaying purchases of mundane items like rice and toilet paper to take advantage of cut-rate prices.

Alibaba launched "Singles Day" as the Chinese online answer to the late-November US "Black Friday" shopping rush.

It has capitalised on China's burgeoning spending power, the Chinese love of a good bargain, and the growing national addiction to one-click smartphone payments.

E-commerce's huge growth in China has put New York-listed Alibaba neck-and-neck with Amazon as the world's most valuable e-commerce company, while also making Nasdaq-listed *JD.com* a Fortune 500 company.

Alibaba and JD stock have both doubled this year as revenues surged.

Alibaba is investing heavily in creating an entire user ecosystem encompassing cloud computing, artificial intelligence, automated stores using face-recognition, and is pushing into overseas markets under much-travelled boss Jack Ma, one of China's richest men.

But environmentalists accuse Alibaba and other e-tailers of fuelling a culture of excessive consumption and mountains of waste. — AFP

End of Paper